

Testimony

on

Budget Enforcement Act Extension

by

Carol Cox Wait, President

Committee for a Responsible Federal Budget

The Committee for a Responsible Federal Budget is a private nonprofit educational organization dedicated to educate the public about the Federal budget, the budget process and other issues that may have macro economic impacts. Located at 220½ E Street Northeast, Washington DC 20002. Telephone (202) 547-4484. Fax (202) 547-4476. Email crfb@aol.com.

before the

Committee on the Budget

United States House of Representatives

June 27, 2001

Mr. Chairman, Mr. Spratt, Members of the Committee, thank you for the opportunity to testify before you today.

The Budget process is like a cop on the corner. You cannot truly measure the patrolman's effectiveness until and unless you are willing to terminate his services. We all get angry when folks break the law; but I for one am not ready for life in a lawless society. Thus it seems clear to me that you must extend the Budget Enforcement Act.

Most of you know that the Committee for a Responsible Federal Budget and I personally believe that it is past time for systemic budget process reform. But it is late in the year to launch a major reform effort.

The caps, PAYGO rules and sequester provisions in BEA expire next year. If you do not extend those provisions there will be no enforcement rules at all. That could be the functional equivalent of laying off the entire police force. It is a very bad idea.

BEA was written as part of an effort to reduce deficits and balance the budget. Today you are managing fiscal policy in a surplus environment. Even as part of simple BEA extension, you should make at least one change to recognize this dramatically changed reality.

I am not trying to turn this into systemic process reform but some changes will not wait.

Do/Should PAYGO rules apply to on-budget surpluses? The law is ambiguous.

The Clinton Administration first said no then they changed their minds and said yes. The Bush Administration has not articulated a position—but the budget treats on-budget surpluses as available and allocates them to a variety of purposes including tax cuts and new/increased direct spending programs.

Our Committee believes that the budget process should be outcomes neutral. The controversy over PAYGO and on-budget surpluses may offer an opportunity to move in that direction.

We suggest that you extend PAYGO but make a modest change. We think the budget resolution should specify the amount of on-budget surplus to be available each year for tax cuts and for direct spending increases.

We think that PAYGO rules and sequestration should apply to any tax cuts and/or direct spending increases in excess of the amounts specified in the most recent version of the budget resolution. This might work better if the budget resolution were intended to become law—requiring a presidential signature and subject to veto.

But this strikes us as an acceptable short-term fix.

We don't think you should write into process legislation specific amounts or percentages of surpluses to be available without triggering PAYGO and sequestration.

If you try to do so, we predict that your efforts will fail. The question of how much surplus should be available to offset current legislative change is a political problem. We advise you to establish systems to settle it politically.

And that brings me to the issue of caps. Discretionary spending caps have proven to be surprisingly effective, except when they are several years old *and* viewed as unrealistic.

You should amend and extend the discretionary caps and sequestration rules as quickly as possible. Indeed, we think that you should write into law new caps for the balance of this Congress just as quickly as possible.

Personally, think that the country ought to be able to get by on the \$661 billion provided for discretionary spending in FY 2002 in the budget resolution.

You all can argue about whether that is enough. You can figure out whether and how much more is needed for defense. That is your job. You have election certificates on your walls.

I can predict with certainty, however, that the sooner you enact new caps the lower total appropriations will be when all is said and done.

Indeed, we believe this to be so urgent that would recommend to your Chairman and Ranking Member that they get together and try to add new caps for FY 2002 and FY 2003 to the supplemental that currently is in conference.

Some will say you cannot add caps to the supplemental, because that strategy would require 60 votes in the Senate. But it is going to take 60 votes to enact new caps no matter when the Senate acts. And let me repeat early action on new caps will save money in the long run.

I have not talked about fundamental budget process reform. I understand that you will take up the broader issues in the near future. When you do, we hope to work with you. We believe that this may be one of the most important tasks facing your committee.

In the meantime, we confess to some confusion and dismay. Surely there can be no doubt about BEA extension. Simply to allow BEA to expire is a terrible idea. Of course you must extend the enforcement provisions in BEA. We cannot live without rules. How can this be an issue? We urge you to act quickly and lay it to rest.